



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

CareSource Michigan

NAIC Group Code	0000	,	0000	NAIC Company Code	95562	Employer's ID Number	38-3252216
	(Current Period)		(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States						
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity [] Dental Service Corporation [] Vision Service Corporation [] Health Maintenance Organization [X] Other [] Is HMO, Federally Qualified? Yes [X] No []						
Incorporated/Organized	05/24/1995			Commenced Business	08/01/1996		
Statutory Home Office	2900 West Road, Suite 201			,	East Lansing, MI 48823-6386		
	(Street and Number)				(City, State and Zip Code)		
Main Administrative Office	2900 West Road, Suite 201						
	East Lansing, MI 48823-6386				517-349-9922		
	(City, State and Zip Code)				(Area Code) (Telephone Number)		
Mail Address	2900 West Road, Suite 201			,	East Lansing, MI 48823-6386		
	(Street and Number or P.O. Box)				(City, State and Zip Code)		
Primary Location of Books and Records	2900 West Road, Suite 201						
	East Lansing, MI 48823-6386				937-531-2159		
	(City, State and Zip Code)				(Area Code) (Telephone Number) (Extension)		
Internet Web Site Address	www.caresource.com						
Statutory Statement Contact	L Tarlton Thomas III			,	937-531-2159		
	(Name)				(Area Code) (Telephone Number) (Extension)		
	tarlton.thomas@caresource.com				937-531-2676		
	(E-Mail Address)				(Fax Number)		

OFFICERS

Name	Title	Name	Title
Sharon R. Williams	Plan President	Craig Thiele M.D.	Chief Medical Officer
Bobby Jones	Chief Operating Officer		

OTHER OFFICERS

R. Daniel Sadlier	Vice Chairman		
-------------------	---------------	--	--

DIRECTORS OR TRUSTEES

Pamela B. Morris	Margaret Marchak	Evonne Williams	Karen Hamilton #
John M. Rockwood			

State of _____
County of _____

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Sharon R. Williams Plan President	Bobby Jones Chief Operating Officer	Craig Thiele M.D. Chief Medical Officer
--------------------------------------	--	--

Subscribed and sworn to before me this _____ day of _____, _____

a. Is this an original filing? Yes [X] No []
b. If no:
1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	18,586,655		18,586,655	19,374,506
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	0
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$21,729,583 , Schedule E-Part 1), cash equivalents (\$0 , Schedule E-Part 2) and short-term investments (\$1,331,384 , Schedule DA).....	23,060,967		23,060,967	25,086,829
6. Contract loans (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	41,647,622	0	41,647,622	44,461,335
11. Title plants less \$charged off (for Title insurers only)			0	0
12. Investment income due and accrued	202,875		202,875	255,523
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	923,094		923,094	301,729
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premiums.....			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	245,625		245,625	57,163
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software.....			0	0
19. Furniture and equipment, including health care delivery assets (\$)			0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates			0	0
22. Health care (\$1,481,010) and other amounts receivable.....	1,481,010		1,481,010	1,212,756
23. Aggregate write-ins for other than invested assets	0	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	44,500,226	0	44,500,226	46,288,506
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
26. Total (Lines 24 and 25)	44,500,226	0	44,500,226	46,288,506
DETAILS OF WRITE-INS				
0901.			0	
0902.			0	
0903.			0	
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301.			0	
2302.			0	
2303.			0	
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$30,053 reinsurance ceded)	.....13,788,759		.....13,788,759	.....15,526,543
2. Accrued medical incentive pool and bonus amounts .....	.....152,965		.....152,965	.....120,598
3. Unpaid claims adjustment expenses .....	.....222,833		.....222,833	.....288,852
4. Aggregate health policy reserves .....			.....0	.....0
5. Aggregate life policy reserves .....			.....0	.....0
6. Property/casualty unearned premium reserves .....			.....0	.....0
7. Aggregate health claim reserves .....			.....0	.....0
8. Premiums received in advance .....			.....0	.....0
9. General expenses due or accrued .....	.....386,637		.....386,637	.....1,113,905
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)).....			.....0	.....0
10.2 Net deferred tax liability .....			.....0	.....0
11. Ceded reinsurance premiums payable .....			.....0	.....0
12. Amounts withheld or retained for the account of others .....			.....0	.....0
13. Remittances and items not allocated .....			.....0	.....0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current) .....			.....0	.....0
15. Amounts due to parent, subsidiaries and affiliates .....	.....8,339,861		.....8,339,861	.....4,403,394
16. Payable for securities .....			.....0	.....0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$ unauthorized reinsurers) .....			.....0	.....0
18. Reinsurance in unauthorized companies .....			.....0	.....0
19. Net adjustments in assets and liabilities due to foreign exchange rates .....			.....0	.....0
20. Liability for amounts held under uninsured plans .....			.....0	.....0
21. Aggregate write-ins for other liabilities (including \$ current) .....	.....0	.....0	.....0	.....5,303,300
22. Total liabilities (Lines 1 to 21).....	.....22,891,055	.....0	.....22,891,055	.....26,756,592
23. Aggregate write-ins for special surplus funds	XXX	XXX	.....0	.....0
24. Common capital stock	XXX	XXX		.....0
25. Preferred capital stock	XXX	XXX		.....0
26. Gross paid in and contributed surplus	XXX	XXX	.....7,831,735	.....7,831,735
27. Surplus notes	XXX	XXX		.....0
28. Aggregate write-ins for other than special surplus funds	XXX	XXX	.....0	.....0
29. Unassigned funds (surplus)	XXX	XXX	.....13,777,436	.....11,700,179
30. Less treasury stock, at cost:				
30.1 .....shares common (value included in Line 24 \$)	XXX	XXX		.....0
30.2 .....shares preferred (value included in Line 25 \$)	XXX	XXX		.....0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	XXX	XXX	.....21,609,171	.....19,531,914
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	.....44,500,226	.....46,288,506
DETAILS OF WRITE-INS				
2101. Former CCM Member Liability.....			.....0	.....5,303,300
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page .....	.....0	.....0	.....0	.....0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	.....0	.....0	.....0	.....5,303,300
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	.....0	.....0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	XXX	XXX	.....0	.....0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	.....0	.....0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	XXX	XXX	.....0	.....0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	566,817	598,324
2. Net premium income (including \$ non-health premium income).....	XXX	162,267,680	154,533,534
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(2,241,454)	(8,441,023)
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	160,026,226	146,092,511
Hospital and Medical:			
9. Hospital/medical benefits		88,958,961	85,759,555
10. Other professional services		8,606,076	8,510,192
11. Outside referrals			0
12. Emergency room and out-of-area		7,210,383	7,186,300
13. Prescription drugs		18,175,778	21,864,059
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		265,091	246,116
16. Subtotal (Lines 9 to 15)	0	123,216,289	123,566,222
Less:			
17. Net reinsurance recoveries		217,977	411,416
18. Total hospital and medical (Lines 16 minus 17)	0	122,998,312	123,154,806
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$4,187,659 cost containment expenses.....		4,691,969	4,178,710
21. General administrative expenses.....		13,134,830	5,485,886
22. Increase in reserves for life and accident and health contracts (including \$0 increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	140,825,111	132,819,402
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	19,201,115	13,273,109
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		1,082,806	967,470
26. Net realized capital gains (losses) less capital gains tax of \$659.....		659	26,925
27. Net investment gains (losses) (Lines 25 plus 26)	0	1,083,465	994,395
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	20,284,580	14,267,504
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	20,284,580	14,267,504
DETAILS OF WRITE-INS			
0601. Quality Assurance Assessment.....	XXX	(2,241,454)	(8,441,023)
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	(2,241,454)	(8,441,023)
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	19,531,914	9,486,894
34. Net income or (loss) from Line 32	20,284,580	14,267,504
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$		0
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	198,315	177,516
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	(605,638)	(4,400,000)
46. Dividends to stockholders	(17,800,000)	0
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	2,077,257	10,045,020
49. Capital and surplus end of reporting period (Line 33 plus 48)	21,609,171	19,531,914
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	0	0

CASH FLOW

Cash from Operations	1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance	161,547,672	155,588,873
2. Net investment income	924,853	915,279
3. Miscellaneous income	(2,969,380)	(8,547,034)
4. Total (Lines 1 through 3)	159,503,144	147,957,118
5. Benefit and loss related payments	124,864,970	121,407,752
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0
7. Commissions, expenses paid and aggregate write-ins for deductions	17,893,719	13,801,746
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	142,758,689	135,209,498
11. Net cash from operations (Line 4 minus Line 10)	16,744,456	12,747,620
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,725,666	2,480,764
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	0	26,925
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,725,666	2,507,689
13. Cost of investments acquired (long-term only):		
13.1 Bonds	1,877,338	17,744,658
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	1,877,338	17,744,658
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	848,328	(15,236,969)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	14,200,000	0
16.6 Other cash provided (applied)	(5,418,646)	0
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(19,618,646)	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Line 15 plus Line 17)	(2,025,862)	(2,489,349)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	25,086,829	27,576,178
19.2 End of year (Line 18 plus Line 19.1)	23,060,967	25,086,829

ANNUAL STATEMENT FOR THE YEAR 2009 OF THE CareSource Michigan

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	162,267,680	.0	.0	.0	.0	.0	1,281,421	160,986,259	.0	.0
2. Change in unearned premium reserves and reserve for rate credit .....	.0									
3. Fee-for-service (net of \$ medical expenses) .....	.0									XXX
4. Risk revenue .....	.0									XXX
5. Aggregate write-ins for other health care related revenues	(2,241,454)	.0	.0	.0	.0	.0	.0	(2,241,454)	.0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Total revenues (Lines 1 to 6)	160,026,226	.0	.0	.0	.0	.0	1,281,421	158,744,805	.0	.0
8. Hospital/medical benefits	88,958,961						1,060,886	87,898,075		XXX
9. Other professional services	8,606,076						47,733	8,558,343		XXX
10. Outside referrals .....	.0									XXX
11. Emergency room and out-of-area	7,210,383						41,565	7,168,818		XXX
12. Prescription drugs	18,175,778						136,707	18,039,071		XXX
13. Aggregate write-ins for other hospital and medical .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	265,090							265,090		XXX
15. Subtotal (Lines 8 to 14)	123,216,288	.0	.0	.0	.0	.0	1,286,891	121,929,397	.0	XXX
16. Net reinsurance recoveries	217,977							217,977		XXX
17. Total hospital and medical (Lines 15 minus 16)	122,998,311	.0	.0	.0	.0	.0	1,286,891	121,711,420	.0	XXX
18. Non-health claims (net) .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
19. Claims adjustment expenses including \$ 4,187,659 cost containment expenses	4,691,969						137,303	4,554,666		
20. General administrative expenses	13,134,830						178,587	12,956,243		
21. Increase in reserves for accident and health contracts .....	.0									XXX
22. Increase in reserves for life contracts .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	140,825,110	.0	.0	.0	.0	.0	1,602,781	139,222,329	.0	.0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	19,201,116	0	0	0	0	0	(321,360)	19,522,476	0	0
DETAILS OF WRITE-INS										
0501.	(2,241,454)							(2,241,454)		XXX
0502. ....	.0									XXX
0503. ....	.0									XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(2,241,454)	0	0	0	0	0	0	(2,241,454)	0	XXX
0601. ....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602. ....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. ....	.0									XXX
1302. ....	.0									XXX
1303. ....	.0									XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)				0
2. Medicare Supplement				0
3. Dental Only.....				0
4. Vision Only.....				0
5. Federal Employees Health Benefits Plan				0
6. Title XVIII - Medicare	1,285,744		4,323	1,281,421
7. Title XIX - Medicaid.....	161,493,271		507,012	160,986,259
8. Other health.....				0
9. Health subtotal (Lines 1 through 8)	162,779,015	0	511,335	162,267,680
10. Life				0
11. Property/casualty.....				0
12. Totals (Lines 9 to 11)	162,779,015	0	511,335	162,267,680

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2009 OF THE CareSource Michigan

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct	130,237,962						884,660	129,353,302		
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	47,338							47,338		
1.4 Net	130,190,624	0	0	0	0	0	884,660	129,305,964	0	0
2. Paid medical incentive pools and bonuses	232,724							232,724		
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	13,818,812	0	0	0	0	0	545,333	13,273,479	0	0
3.3 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	30,053	0	0	0	0	0	0	30,053	0	0
3.4 Net	13,788,759	0	0	0	0	0	545,333	13,243,426	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	152,965							152,965		
6. Net healthcare receivables (a)	5,531,157							5,531,157		
7. Amounts recoverable from reinsurers December 31, current year	245,624							245,624		
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	15,574,419	0	0	0	0	0	138,165	15,436,254	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	47,876	0	0	0	0	0	0	47,876	0	0
8.4 Net	15,526,543	0	0	0	0	0	138,165	15,388,378	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	120,598	0	0	0	0	0	0	120,598	0	0
11. Amounts recoverable from reinsurers December 31, prior year	57,162	0	0	0	0	0	0	57,162	0	0
12. Incurred benefits:										
12.1 Direct	122,951,198	0	0	0	0	0	1,291,828	121,659,370	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	217,977	0	0	0	0	0	0	217,977	0	0
12.4 Net	122,733,221	0	0	0	0	0	1,291,828	121,441,393	0	0
13. Incurred medical incentive pools and bonuses	265,091	0	0	0	0	0	0	265,091	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	3,207,868							3,207,868		
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	3,207,868	0	0	0	0	0	0	3,207,868	0	0
2. Incurred but Unreported:										
2.1. Direct	10,490,382						545,333	9,945,049		
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	30,053							30,053		
2.4. Net	10,460,329	0	0	0	0	0	545,333	9,914,996	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	120,562							120,562		
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	120,562	0	0	0	0	0	0	120,562	0	0
4. TOTALS:										
4.1. Direct	13,818,812	0	0	0	0	0	545,333	13,273,479	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	30,053	0	0	0	0	0	0	30,053	0	0
4.4. Net	13,788,759	0	0	0	0	0	545,333	13,243,426	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare	128,605	756,055	0	545,333	128,605	138,165
7. Title XIX - Medicaid.....	13,630,228	115,670,443	111,646	13,131,780	13,741,874	15,388,378
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	13,758,833	116,426,498	111,646	13,677,113	13,870,479	15,526,543
10. Healthcare receivables (a).....	980,308	4,572,776	30,165	988,822	1,010,473	857,745
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	107,912	124,812		152,965	107,912	120,598
13. Totals (Lines 9-10+11+12)	12,886,437	111,978,534	81,481	12,841,256	12,967,918	14,789,396

(a) Excludes \$ loans or advances to providers not yet expensed.

Pt 2C - Sn A - Paid Claims - Comp
NONE

Pt 2C - Sn A - Paid Claims - MS
NONE

Pt 2C - Sn A - Paid Claims - DO
NONE

Pt 2C - Sn A - Paid Claims - VO
NONE

Pt 2C - Sn A - Paid Claims - FE
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	.0	.0	.0	.0	
2. 2005 .....	.0	.0	.0	.0	
3. 2006	XXX	.0	.0		
4. 2007	XXX	XXX	.0	.0	.0
5. 2008	XXX	XXX	XXX	.198	.327
6. 2009	XXX	XXX	XXX	XXX	756

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	545

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005 .....	.0	.0		0.0	.0	0.0			.0	0.0
2. 2006 .....	.0	.0		0.0	.0	0.0			.0	0.0
3. 2007 .....	.0	.0		0.0	.0	0.0			.0	0.0
4. 2008 .....	.391	.327	.3	1.1	.330	.84.4			.330	.84.4
5. 2009	1,281	756	20	2.7	776	60.6	545	16	1,338	104.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	197,160	196,684	196,622	196,614	196,614
2. 2005	71,535	79,334	79,265	79,260	79,259
3. 2006	XXX	81,242	86,741	86,642	86,626
4. 2007	XXX	XXX	101,627	113,635	110,270
5. 2008	XXX	XXX	XXX	109,633	125,570
6. 2009	XXX	XXX	XXX	XXX	111,227

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		.81
6. 2009	XXX	XXX	XXX	XXX	13,860

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	102,242	79,259	3,582	4.5	82,841	81.0			82,841	81.0
2. 2006	103,596	86,626	3,135	3.6	89,761	86.6			89,761	86.6
3. 2007	137,337	110,270	3,131	2.8	113,401	82.6			113,401	82.6
4. 2008	154,823	125,570	4,669	3.7	130,239	84.1	.81		130,321	84.2
5. 2009	160,983	111,227	4,238	3.8	115,466	71.7	13,315	206	128,987	80.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	197,160	196,684	196,622	196,614	196,614
2. 2005	71,535	79,334	79,265	79,260	79,259
3. 2006	XXX	81,242	86,741	86,642	86,626
4. 2007	XXX	XXX	101,627	113,635	110,270
5. 2008	XXX	XXX	XXX	109,831	125,897
6. 2009	XXX	XXX	XXX	XXX	111,983

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior .....	.0	.0	.0	.0	.0
2. 2005 .....	.0	.0	.0	.0	.0
3. 2006	XXX	.0	.0	.0	.0
4. 2007	XXX	XXX	.0	.0	.0
5. 2008	XXX	XXX	XXX	.0	.81
6. 2009	XXX	XXX	XXX	XXX	14,406

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2005	102,242	79,259	3,582	4.5	82,841	81.0	.0	.0	82,841	81.0
2. 2006	103,596	86,626	3,135	3.6	89,761	86.6	.0	.0	89,761	86.6
3. 2007	137,337	110,270	3,131	2.8	113,401	82.6	.0	.0	113,401	82.6
4. 2008	155,214	125,897	4,672	3.7	130,569	84.1	.81	.0	130,651	84.2
5. 2009	162,265	111,983	4,259	3.8	116,242	71.6	13,860	223	130,325	80.3

Pt 2C - Sn B - Incurred Claims - Comp
NONE

Pt 2C - Sn B - Incurred Claims - MS
NONE

Pt 2C - Sn B - Incurred Claims - DO
NONE

Pt 2C - Sn B - Incurred Claims - VO
NONE

Pt 2C - Sn B - Incurred Claims - FE
NONE

Part 2C - Sn C - Claims Expense Ratio Co
NONE

Part 2C - Sn C - Claims Expense Ratio MS
NONE

Part 2C - Sn C - Claims Expense Ratio DO
NONE

Part 2C - Sn C - Claims Expense Ratio VO
NONE

Part 2C - Sn C - Claims Expense Ratio FE
NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	0								
2. Additional policy reserves (a).....	0								
3. Reserve for future contingent benefits.....	0								
4. Reserve for rate credits or experience rating refunds (including \$) for investment income.....	0								
5. Aggregate write-ins for other policy reserves	0	0	0	0	0	0	0	0	0
6. Totals (gross)	0	0	0	0	0	0	0	0	0
7. Reinsurance ceded	0								
8. Totals (Net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0
9. Present value of amounts not yet due on claims	0	NONE							
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0								
12. Totals (Gross)	0								
13. Reinsurance ceded	0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administration Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building).....	14	41	516,552		516,607
2. Salaries, wages and other benefits.....	3,634,268	256,653	1,996,657		5,887,578
3. Commissions (less \$ceded plus \$assumed.....)					0
4. Legal fees and expenses.....			76,549		76,549
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	30,317	4,068	566,721		601,106
7. Traveling expenses.....	191,568	5,375	39,535		236,478
8. Marketing and advertising.....	13,843	940	186,427		201,210
9. Postage, express and telephone.....	38,429	5,587	428,164		472,180
10. Printing and office supplies.....	28,790	353	268,890		298,033
11. Occupancy, depreciation and amortization.....			265,325		265,325
12. Equipment.....			87,336		87,336
13. Cost or depreciation of EDP equipment and software.....		126	641,980		642,106
14. Outsourced services including EDP, claims, and other services.....	226,468	229,000	423,054		878,522
15. Boards, bureaus and association fees.....	2,867	506	206,278		209,651
16. Insurance, except on real estate.....			39,095		39,095
17. Collection and bank service charges.....			26,999	3,400	30,399
18. Group service and administration fees.....					0
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....			0		0
21. Real estate expenses.....			0		0
22. Real estate taxes.....	0	0	0		0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			7,101,720		7,101,720
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....			210,950		210,950
23.5 Other (excluding federal income and real estate taxes).....					0
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	21,095	1,661	52,598	0	75,354
26. Total expenses incurred (Lines 1 to 25).....	4,187,659	504,310	13,134,830	3,400 ^(a)	17,830,199
27. Less expenses unpaid December 31, current year.....		222,833	386,637		609,470
28. Add expenses unpaid December 31, prior year.....	0	288,852	341,235	0	630,087
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	4,187,659	570,329	13,089,428	3,400	17,850,816
DETAIL OF WRITE-INS					
2501. Other Misc.....	21,095	1,661	52,598		75,354
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 + 2598) (Line 25 above)	21,095	1,661	52,598	0	75,354

(a) Includes management fees of \$9,879,626 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a).....336,073	.....319,903
1.1 Bonds exempt from U.S. tax	(a).....	.....
1.2 Other bonds (unaffiliated)	(a).....648,987	.....710,325
1.3 Bonds of affiliates	(a).....0	.....
2.1 Preferred stocks (unaffiliated)	(b).....0	.....
2.11 Preferred stocks of affiliates	(b).....0	.....
2.2 Common stocks (unaffiliated) .....	.....0	.....
2.21 Common stocks of affiliates .....	.....0	.....
3. Mortgage loans	(c).....	.....
4. Real estate	(d).....	.....
5. Contract loans .....	.....	.....
6. Cash, cash equivalents and short-term investments	(e).....137,916	.....106,904
7. Derivative instruments	(f).....	.....
8. Other invested assets .....	.....	.....
9. Aggregate write-ins for investment income .....	.....0	.....0
10. Total gross investment income	1,122,977	1,137,132
11. Investment expenses		(g).....3,400
12. Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13. Interest expense		(h).....50,926
14. Depreciation on real estate and other invested assets		(i).....
15. Aggregate write-ins for deductions from investment income .....		.....0
16. Total deductions (Lines 11 through 15) .....		.....54,326
17. Net investment income (Line 10 minus Line 16)		1,082,806
DETAILS OF WRITE-INS		
0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9 above)	0	0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		0

(a) Includes \$95,403 accrual of discount less \$35,586 amortization of premium and less \$6,986 paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds .....	.....659	.....	.....659	.....	.....
1.1 Bonds exempt from U.S. tax .....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated) .....	.....	.....	.....0	.....	.....
1.3 Bonds of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.1 Preferred stocks (unaffiliated) .....	.....0	.....0	.....0	.....0	.....0
2.11 Preferred stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
2.2 Common stocks (unaffiliated) .....	.....0	.....0	.....0	.....0	.....0
2.21 Common stocks of affiliates .....	.....0	.....0	.....0	.....0	.....0
3. Mortgage loans .....	.....0	.....0	.....0	.....0	.....0
4. Real estate .....	.....0	.....0	.....0	.....	.....0
5. Contract loans .....	.....	.....	.....0	.....	.....
6. Cash, cash equivalents and short-term investments .....	.....0	.....0	.....0	.....0	.....0
7. Derivative instruments .....	.....	.....	.....0	.....	.....
8. Other invested assets .....	.....0	.....0	.....0	.....0	.....0
9. Aggregate write-ins for capital gains (losses) .....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses)	659	0	659	0	0
DETAILS OF WRITE-INS					
0901. ....	.....	.....	.....0	.....	.....
0902. ....	.....	.....	.....0	.....	.....
0903. ....	.....	.....	.....0	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 9, above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premiums.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software	0	0	0
19. Furniture and equipment, including health care delivery assets	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	0	0	0
22. Health care and other amounts receivable.....	0	198,315	198,315
23. Aggregate write-ins for other than invested assets	0	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	0	198,315	198,315
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	0	198,315	198,315
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0
2301. Prepaid Insurance.....	0	0	0
2302. Prepaid Other.....	0	0	0
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	49,465	49,708	48,988	49,049	41,557	566,817
2. Provider Service Organizations.....	0					
3. Preferred Provider Organizations.....	0					
4. Point of Service.....	0					
5. Indemnity Only.....	0					
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	49,465	49,708	48,988	49,049	41,557	566,817
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. **Accounting Practices** – The financial statements of CareSource Michigan, (“the Company”) are presented on the basis of accounting practices prescribed or permitted by the State of Michigan, Office of Financial and Insurance Regulation (“OFIR”). The statements have been completed in accordance with the NAIC *Accounting Practices and Procedures* manual except to the extent that Michigan law differs. No material change has occurred since the Annual 2008 filing.

Investments: Bonds not backed by other loans are principally stated at amortized cost using the interest method. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities. Realized capital gains and losses are determined using the first in first out method. CSM does not engage in subprime residential lending.

Nonadmitted Assets: Certain assets designated as “nonadmitted,” principally past-due agents’ balances, furniture and equipment, unsecured loans or cash advances to officers or agents, company’s stock as collateral for loans, non-bankable checks, trade names and other intangible assets, and other assets not specifically identified as an admitted asset within the NAIC AP&P are excluded from the accompanying balance sheets and are charged directly to unassigned surplus. In accordance with GAAP, such assets are included in the balance sheet to the extent that those assets are not impaired.

Reinsurance: Unpaid claims liabilities and premiums received in advance ceded to reinsurers have been reported as reductions of the related balances rather than as assets as would be required in accordance with GAAP.

Statements of Cash Flows: Cash, cash equivalents, and short-term investments in the statements of cash flows represent cash balances and investments with initial maturities of one year or less. In accordance with GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

Cash and Short-Term Investments: CSM considers all highly liquid investments purchased with an original maturity of one year or less to be short-term investments. These investments are stated at amortized cost, which approximates fair value.

Other than temporary impairments: Management regularly reviews the value of CSM’s investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is an “other-than-temporary impairment”. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c) the intent and ability of CS to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (d) whether the debtor is current on interest and principal payments and (e) general market conditions and industry or sector specific factors.

Pharmacy Rebate Receivable: Pharmacy rebates are based primarily on agreements between CSM and a third party pharmacy benefits manager (PBM) for prescription drugs. The PBM guarantees a rate per brand prescription and these rebates are treated as admitted. Other rebates are contracted directly with the manufacturer and are billed as received. These are also fully admitted.

Claims and Claim Adjustment Expenses: Claims unpaid and unpaid claims adjustment expense liabilities represent management’s best estimate of the ultimate net cost of all reported and unreported claims incurred through the statement date. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Sunset of Quality Assurance Assessment (QAAP): Beginning April 2009, the State of Michigan (QAAP) discontinued and was replaced with a Use Tax. QAAP is recorded on The Statement of Revenue and Expense line 6 and Use Tax included on line 21 of the same statement. For comparison, the amount of Use tax now classified as administrative costs in 2009 is \$7,101,720.

B. **Use of Estimates in the Preparation of the Financial Statements** – The preparation of financial statements in conformity with accounting practices prescribed or permitted by the Office of Financial and Insurance Regulation of the State of Michigan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Due to the prospective nature of these estimates, actual results could differ. Medical revenues and expenses require significant estimates, which include incurred but not reported claims.

C. **Accounting Policy** – The Company receives monthly capitation and delivery case rate payments under its contract with the Michigan Department of Community Health. The Company is required to provide covered health care services to all recipients enrolled, regardless of the cost of care provided. Capitation and delivery case rate revenue is recognized in the month that recipients are entitled to health care benefits. Reinsurance premiums are netted against premium revenue, and reinsurance recoveries are reported as a reduction of related health care costs.

2. Accounting Changes and Correction of Errors - None

3. Business Combinations and Goodwill – None

4. Discontinued Operations - Not applicable

5. Investments

a. Mortgage Loans - None

b. Debt Restructuring - None

c. Reverse Mortgage - None

d. Loan-Backed Securities -

1. The company did not have any such securities as of January 1, 1994, therefore the retrospective adjustment method did not apply.

2. Prepayment assumptions for single class and multi-class mortgage-backed securities were obtained from broker/ dealer survey values.

3. In 2009 the Company did not change from the retrospective methodology to prospective methodology because no negative yields were identified.

e. Repurchase Agreements - None

f. Real Estate - None

g. Low Income Housing and Tax Credits - None

6. Joint Ventures, Partnerships and Limited Liability Companies – The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies.

7. Investment Income – Interest income earned through December 31, 2009 is accrued in the accompanying financial statements.

8. Derivative Instruments – None

9. Income Taxes – Not applicable; tax exempt 501(c) 3 organization.

10. Information Concerning Parent, Subsidiaries and Affiliates –

NOTES TO FINANCIAL STATEMENTS

The Company paid management fees to CareSource Management Group and CareSource Management Services of \$ 10,314,878 for the twelve months ended December 31, 2009. Costs are allocated in accordance with SSAP No. 70, Allocation of Expenses. As of December 31 2009, the company reported a liability balance of \$339,861.

The Company also began activity with the CareSource Foundation. The Foundation manages contributions to Michigan based non-profit endeavors. And through December 2009, payments of \$95,821 have been completed

11. Debt – None
12. Retirement Plans, Deferred Compensation, Post Employment Benefits and Other Post Retirement Benefit Plans

a. Defined Benefit Plan - None

b. Defined Contribution Plan - None

c. Multi-employer Plans - None

d. Consolidated/Holding Company Plans - None
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations – Per the Membership Interest Transfer Agreement associated with the purchase of Community Choice Michigan by CSUSA, which closed on November 30, 2007, and in accordance with a Form A filing approved by OFIR, the net capital and surplus at the closing date is payable to the prior Member Owners over several post closing dates. Payments of \$ 6,794,420 occurred during 2008 and \$6,265,048 during 2009.

The ordinary distributions payable to CareSource USA at December 31, 2008 of \$4,400,000 was paid on January 12, 2009. In September, a second \$9,800,000 ordinary distribution to CareSource USA was completed. On January 19, 2010 OFIR approved payment of the \$8,000,000 distribution recorded at December 31, 2009. Of the amount, \$7,932,496 was approved as an extraordinary distribution.
14. Contingencies - None
15. Leases – The monthly rental for the principal office location of the Company is the financial responsibility of the CareSource Management Group per the administrative services agreement.
16. Information about financial instruments with off-balance sheet risk and financial instruments with concentrations of credit risk – No such instruments.
17. Sale, transfer and servicing of financial assets and extinguishments of liabilities

a. Transfers of receivables reported as sales - None

b. Transfer and servicing of financial assets - None

c. Wash sales - None
18. Gain or Loss to the reporting entity for uninsured A&H plans and the uninsured portion of partially insured plans

a. ASO plans – N/A

b. ASC plans – N/A

c. Medicare or similarly structured cost based reimbursed contracts

1. Revenue from the Company’s Medicare (or similarly structured cost based reimbursement contract) contract for the year 2009 consisted of \$117,206 for medical and hospital related services.

2. As of December 31, 2009, the Company has recorded receivables from the following payors whose account balances are greater than 10% of the Company’s amounts receivable from uninsured accident and health plans or \$10,000:

Center for Medicare and Medicaid Services \$49,107

3. In connection with the Company’s Medicare (or similarly structured cost based reimbursement contract) contract, the Company has recorded no allowances and no reserves for adjustment of recorded revenues at December 31, 2009.

4. The Company has made no adjustment to revenue resulting from audit receivables related to revenues recorded in the prior period.

19. Direct premium written/produced by managing general agents/third party administrator – Not applicable.20. Other Items - None21. Events subsequent - None22. Reinsurance-

A. Ceded Reinsurance Report.

Section 1. General Interrogatories

1. No

2. No

Section 2 Ceded Reinsurance Report - Part A

1. No

2. No

Section 3 Ceded Reinsurance Report - Part B

1. \$511,335

2. No

B. Uncollectable Reinsurance - None

C. Commutation of Ceded Reinsurance - None

23. Retrospectively rated contracts & contracts subject to redetermination – None.24. Change in Incurred Claims and Claims Adjustment Expenses - Incurred claims attributable to insured events of prior years has decreased by \$1.7 million from \$15.5 million in 2008 to \$13.9 million in 2009 as a result of re-estimation of unpaid claims expense combined with current year payments for prior years. This decrease is the result of ongoing analysis of loss development trends.25. Intercompany Pooling Arrangements - Not applicable26. Structured Settlements - Not applicable27. Health Care Receivables - CareSource Michigan recorded \$1,078,491 of pharmacy rebates and during 2009, collected \$528,569 for rebates related to 2008. Pharmacy rebates are netted with pharmacy expense.

The Company's administration of rebates is primarily through a pharmacy benefits manager (PBM). Reports are generated by the PBM and these are used to estimate receivables. Estimated receivables are confirmed with actual cash receipt of rebates and the accompanying report detailing the amounts by manufacturer. These reports are received on a quarterly basis, generally six months after the quarter in which the receivable is recorded. Separate contracts are in place directly with pharmacy manufacturers, account for a small percentage of total rebate activity.

NOTES TO FINANCIAL STATEMENTS

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Quarter	Estimated Pharmacy Rebates As Reported on Financial Statements	Pharmacy Rebates as billed or Otherwise Confirmed	Actual Rebates Received within 90 days of Billing	Actual Rebates Received Within 91 to 180 days of Billing	Actual Rebates Received More than 180 days of Billing
09/30/09	254,316	254,316			
09/30/09	236,025	271,084		35,059	
06/30/09	251,440	226,303		226,303	
03/31/09	248,469	256,064		256,064	
12/31/08	280,122	287,075		287,075	
09/30/08	198,315	248,289		248,289	
06/30/08	228,282	240,926			240,926
03/31/08	235,233	236,396			236,396
12/31/07	217,927	215,932			215,932
09/30/07	187,663	184,107			184,107
06/30/07	230,608	242,742			242,742
03/31/07	243,704	243,704			243,704

28. Participating Policies - Not applicable.
29. Premium Deficiency Reserves - Not deemed necessary.
30. Anticipated Salvage and Subrogation – Subrogation recoveries totaled \$ 423,691 for the period ended December 31, 2009.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []
- 1.3

State Regulating?

Michigan
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [X] No []
- 2.2

If yes, date of change:

03/12/2008
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2008
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2008
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

02/11/2010
- 3.4

By what department or departments? State of Michigan, Office of Financial and Insurance Regulation
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [X] No [] N/A []
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [X] No [] N/A []
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [☐] No [☒]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [☐] No [☐]
- 8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?.....

Ernst & Young, 1100 Huntington Center, 41 South High Street, Columbus OH 43215.....
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?.....

Darrel Knapp, Ernst & Young, One Kansas City Place, Suite 2000,1200 Main street Kansas City MO 64105.....
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?.....

Yes [☐] No [☒]

11.11

Name of real estate holding company

11.12

Number of parcels involved.....

11.13

Total book/adjusted carrying value..... \$.....
- 11.2

If yes, provide explanation.....
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States manager or the United States Trustees of the reporting entity?.....
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [☐] No [☒]
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [☐] No [☒]
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [☐] No [☐] N/A [☒]
- 13.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [☒] No [☐]

a.

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b.

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c.

Compliance with applicable governmental laws, rules and regulations;

d.

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e.

Accountability for adherence to the code.
- 13.11

If the response to 13.1 is No, please explain:.....
- 13.2

Has the code of ethics for senior managers been amended?

Yes [☐] No [☒]
- 13.21

If the response to 13.2 is Yes, provide information related to amendment(s).....
- 13.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [☐] No [☒]
- 13.31

If the response to 13.3 is Yes, provide the nature of any waiver(s).....

BOARD OF DIRECTORS

14.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [☒] No [☐]
15.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [☒] No [☐]
16.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes [☒] No [☐]

GENERAL INTERROGATORIES
FINANCIAL

17.

Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g. Generally Accepted Accounting Principles)?

Yes [☐] No [☒]

18.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers

\$0

18.12 To stockholders not officers

\$0

18.13 Trustees, supreme or grand (Fraternal only)

\$0

18.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

\$0

18.22 To stockholders not officers

\$0

18.23 Trustees, supreme or grand (Fraternal only)

\$0

19.1

Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes [☐] No [☒]

19.2

If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

\$

19.22 Borrowed from others

\$

19.23 Leased from others

\$

19.24 Other

\$

20.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [☐] No [☒]

20.2

If answer is yes:

20.21 Amount paid as losses or risk adjustment

\$

20.22 Amount paid as expenses

\$

20.23 Other amounts paid

\$

21.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [☐] No [☒]

21.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

INVESTMENT

22.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes [☒] No [☐]

22.2

If no, give full and complete information, relating thereto.....

22.3

For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided).....

22.4

Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes [☐] No [☐] N/A [☒]

22.5

If answer to 22.4 is yes, report amount of collateral.

\$

22.6

If answer to 22.4 is no, report amount of collateral.

\$

23.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3)

Yes [☒] No [☐]

23.2

If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

\$

23.22 Subject to reverse repurchase agreements

\$

23.23 Subject to dollar repurchase agreements

\$

23.24 Subject to reverse dollar repurchase agreements

\$

23.25 Pledged as collateral

\$

23.26 Placed under option agreements

\$

23.27 Letter stock or securities restricted as to sale

\$

23.28 On deposit with state or other regulatory body

\$1,000,000

23.29 Other

\$

23.3

For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....
.....

24.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [☐] No [☒]

24.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes [☐] No [☐] N/A [☒]

25.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [☐] No [☒]

25.2

If yes, state the amount thereof at December 31 of the current year.

\$

GENERAL INTERROGATORIES

26. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F - Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Fifth Third Bank.....	111 Lyon St. NW. Grand Rapids MI 49503.....

26.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year?
26.04 If yes, give full and complete information relating thereto:

Yes [] No [X]

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....
.....

26.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....
.....
.....

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?
27.2 If yes, complete the following schedule:

Yes [] No [X]

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
.....
.....
.....
27.2999 TOTAL		0

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....
.....
.....

GENERAL INTERROGATORIES

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds.....	19,918,039	19,363,849	(554,190)
28.2 Preferred stocks.....	0		0
28.3 Totals	19,918,039	19,363,849	(554,190)

28.4 Describe the sources or methods utilized in determining the fair values:.....
CareSource utilizes a Fifth Third Bank tool called Portfolio Pro for security pricing. That tool uses Reuters and FT Interactive for security pricing.....

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?..... Yes [X] No []

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:...

30.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

30.2 If no, list exceptions:.....

OTHER

31.1 Amount of payments to trade associations, service organizations and statistical or Rating Bureaus, if any? \$45,000

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans.....	\$.....45,000

32.1 Amount of payments for legal expenses, if any? \$45,026

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Bricker & Eckler, LLP.....	\$.....45,026

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$0

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
1.2 If yes, indicate premium earned on U. S. business only \$ 0
1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$
1.31 Reason for excluding
1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$
1.5 Indicate total incurred claims on all Medicare Supplement Insurance. \$
1.6 Individual policies:
Most current three years:
1.61 Total premium earned \$ 0
1.62 Total incurred claims \$ 0
1.63 Number of covered lives 0
All years prior to most current three years:
1.64 Total premium earned \$ 0
1.65 Total incurred claims \$ 0
1.66 Number of covered lives 0
1.7 Group policies:
Most current three years:
1.71 Total premium earned \$ 0
1.72 Total incurred claims \$ 0
1.73 Number of covered lives 0
All years prior to most current three years:
1.74 Total premium earned \$ 0
1.75 Total incurred claims \$ 0
1.76 Number of covered lives 0
2. Health Test:
2.1 Premium Numerator \$ 162,267,680 \$ 154,533,534
2.2 Premium Denominator \$ 162,267,680 \$ 154,533,534
2.3 Premium Ratio (2.1/2.2) 1.000 1.000
2.4 Reserve Numerator \$ 13,941,724 \$ 13,941,724
2.5 Reserve Denominator \$ 13,941,724 \$ 15,647,141
2.6 Reserve Ratio (2.4/2.5) 1.000 0.891
3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, and if the earnings of the reporting entity permits? Yes [] No [X]
3.2 If yes, give particulars:
4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No []
4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [X] No []
5.1 Does the reporting entity have stop-loss reinsurance? Yes [X] No []
5.2 If no, explain:
5.3 Maximum retained risk (see instructions)
5.31 Comprehensive Medical \$ 210,000
5.32 Medical Only \$
5.33 Medicare Supplement \$
5.34 Dental and Vision \$
5.35 Other Limited Benefit Plan \$
5.36 Other \$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
7.1 Does the reporting entity set up its claim liability for provider services on a service data base? Yes [X] No []
7.2 If no, give details:
8. Provide the following Information regarding participating providers:
8.1 Number of providers at start of reporting year 3,027
8.2 Number of providers at end of reporting year 5,961
9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
9.2 If yes, direct premium earned:
9.21 Business with rate guarantees between 15-36 months
9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes ☒ No ☐

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....385,689

10.22 Amount actually paid for year bonuses

\$.....232,724

10.23 Maximum amount payable withholds

\$.....372,246

10.24 Amount actually paid for year withholds

\$.....252,684

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes ☐ No ☒

11.13 An Individual Practice Association (IPA), or,

Yes ☐ No ☒

11.14 A Mixed Model (combination of above) ?

Yes ☐ No ☒

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Michigan.....

11.3 If yes, show the name of the state requiring such net worth.

\$.....8,687,794

11.4 If yes, show the amount required.

11.5 Is this amount included as part of a contingency reserve in stockholders equity?

Yes ☐ No ☒

11.6 If the amount is calculated, show the calculation.

12.1 List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Alcona.....
Allegan.....
Alpena.....
Antrim.....
Berrien.....
Branch.....
Calhoun.....
Cass.....
Charlevoix.....
Cheboygan.....
Emmet.....
Genesee.....
Gladwin.....
Grand Traverse.....
Hillsdale.....
Iosco.....
Kalamazoo.....
Kent.....
Leelanau.....
Mason.....
Mecosta.....
Monroe.....
Montmorency.....
Muskegon.....
Newaygo.....
Ogemaw.....
Ostego.....
Ottawa.....
Presque Isle.....
St Joseph.....
Van Buren.....

13.1 Do you act as a custodian for health savings accounts?

Yes ☐ No ☒

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$.....

13.3 Do you act as an administrator for health savings accounts?

Yes ☐ No ☒

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$.....

FIVE - YEAR HISTORICAL DATA

	1 2009	2 2008	3 2007	4 2006	5 2005
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	44,500,226	46,288,506	37,365,027	25,141,329	32,701,680
2. Total liabilities (Page 3, Line 22)	22,891,055	26,756,592	27,878,133	13,264,229	16,411,967
3. Statutory surplus	8,687,794	9,025,598	8,980,616	7,394,302	9,569,703
4. Total capital and surplus (Page 3, Line 31)	21,609,171	19,531,914	9,486,894	11,877,100	16,289,713
Income Statement (Page 4)					
5. Total revenues (Line 8)	160,026,226	146,092,511	129,085,706	97,391,392	95,697,827
6. Total medical and hospital expenses (Line 18)	122,998,312	123,154,806	113,579,652	83,167,801	79,027,913
7. Claims adjustment expenses (Line 20)	4,691,969	4,178,710	3,445,580	3,134,871	3,582,434
8. Total administrative expenses (Line 21)	13,134,830	5,485,886	8,929,507	8,363,219	6,747,211
9. Net underwriting gain (loss) (Line 24)	19,201,115	13,273,109	3,130,967	2,725,501	6,340,269
10. Net investment gain (loss) (Line 27)	1,083,465	994,395	1,316,079	866,201	544,452
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income (loss) (Line 32)	20,284,580	14,267,504	4,447,046	3,591,702	6,884,721
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	16,744,456	12,747,620	8,521,089	(2,413,349)	0
Risk-Based Capital Analysis					
14. Total adjusted capital	21,609,171	19,531,914	9,486,894	11,877,100	16,289,713
15. Authorized control level risk-based capital	4,343,897	4,512,799	4,495,308	3,697,151	3,614,866
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	41,557	49,465	47,956	49,163	46,995
17. Total member months (Column 6, Line 7)	566,817	598,324	589,046	580,504	576,991
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus 19)	75.8	79.7	82.7	80.3	77.5
20. Cost containment expenses	2.6	2.2	2.1	2.3	2.9
21. Other claims adjustment expenses	0.3	0.5	0.4	0.7	0.6
22. Total underwriting deductions (Line 23)	86.8	85.9	91.7	91.4	87.6
23. Total underwriting gain (loss) (Line 24)	11.8	8.6	2.3	2.6	6.2
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	12,967,918	11,969,724	4,908,178	7,299,689	11,024,683
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	14,789,396	13,042,342	6,407,166	11,639,249	15,434,515
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24 Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated		0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?.....Yes [] No []

If no, please explain:
.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1	Direct Business Only							
		2	3	4	5	6	7	8	9
	Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefit Program Premiums	Life & Annuity Premiums & Other Consideration s	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N						.0	.0
2. Alaska	AK	N						.0	.0
3. Arizona	AZ	N						.0	.0
4. Arkansas	AR	N						.0	.0
5. California	CA	N						.0	.0
6. Colorado	CO	N						.0	.0
7. Connecticut	CT	N						.0	.0
8. Delaware	DE	N						.0	.0
9. District of Columbia	DC	N						.0	.0
10. Florida	FL	N						.0	.0
11. Georgia	GA	N						.0	.0
12. Hawaii	HI	N						.0	.0
13. Idaho	ID	N						.0	.0
14. Illinois	IL	N						.0	.0
15. Indiana	IN	N						.0	.0
16. Iowa	IA	N						.0	.0
17. Kansas	KS	N						.0	.0
18. Kentucky	KY	N						.0	.0
19. Louisiana	LA	N						.0	.0
20. Maine	ME	N						.0	.0
21. Maryland	MD	N						.0	.0
22. Massachusetts	MA	N						.0	.0
23. Michigan	MI	L	1,285,744	161,493,271				162,779,015	.0
24. Minnesota	MN	N						.0	.0
25. Mississippi	MS	N						.0	.0
26. Missouri	MO	N						.0	.0
27. Montana	MT	N						.0	.0
28. Nebraska	NE	N						.0	.0
29. Nevada	NV	N						.0	.0
30. New Hampshire	NH	N						.0	.0
31. New Jersey	NJ	N						.0	.0
32. New Mexico	NM	N						.0	.0
33. New York	NY	N						.0	.0
34. North Carolina	NC	N						.0	.0
35. North Dakota	ND	N						.0	.0
36. Ohio	OH	N						.0	.0
37. Oklahoma	OK	N						.0	.0
38. Oregon	OR	N						.0	.0
39. Pennsylvania	PA	N						.0	.0
40. Rhode Island	RI	N						.0	.0
41. South Carolina	SC	N						.0	.0
42. South Dakota	SD	N						.0	.0
43. Tennessee	TN	N						.0	.0
44. Texas	TX	N						.0	.0
45. Utah	UT	N						.0	.0
46. Vermont	VT	N						.0	.0
47. Virginia	VA	N						.0	.0
48. Washington	WA	N						.0	.0
49. West Virginia	WV	N						.0	.0
50. Wisconsin	WI	N						.0	.0
51. Wyoming	WY	N						.0	.0
52. American Samoa	AS	N						.0	.0
53. Guam	GU	N						.0	.0
54. Puerto Rico	PR	N						.0	.0
55. U.S. Virgin Islands	VI	N						.0	.0
56. Northern Mariana Islands	MP	N						.0	.0
57. Canada	CN	N						.0	.0
58. Aggregate Other Alien	OT	XXX	.0	.0	.0	.0	.0	.0	.0
59. Subtotal	XXX	.0	1,285,744	161,493,271	.0	.0	.0	162,779,015	.0
60. Reporting entity contributions for Employee Benefit Plans	XXX							.0	
61. Total (Direct Business)	(a) 1	0	1,285,744	161,493,271	0	0	0	162,779,015	0
DETAILS OF WRITE-INS									
5801.	XXX							.0	
5802.	XXX							.0	
5803.	XXX							.0	
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	.0	.0	.0	.0	.0	.0	.0	
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	0	0	0	0	0	0	0	

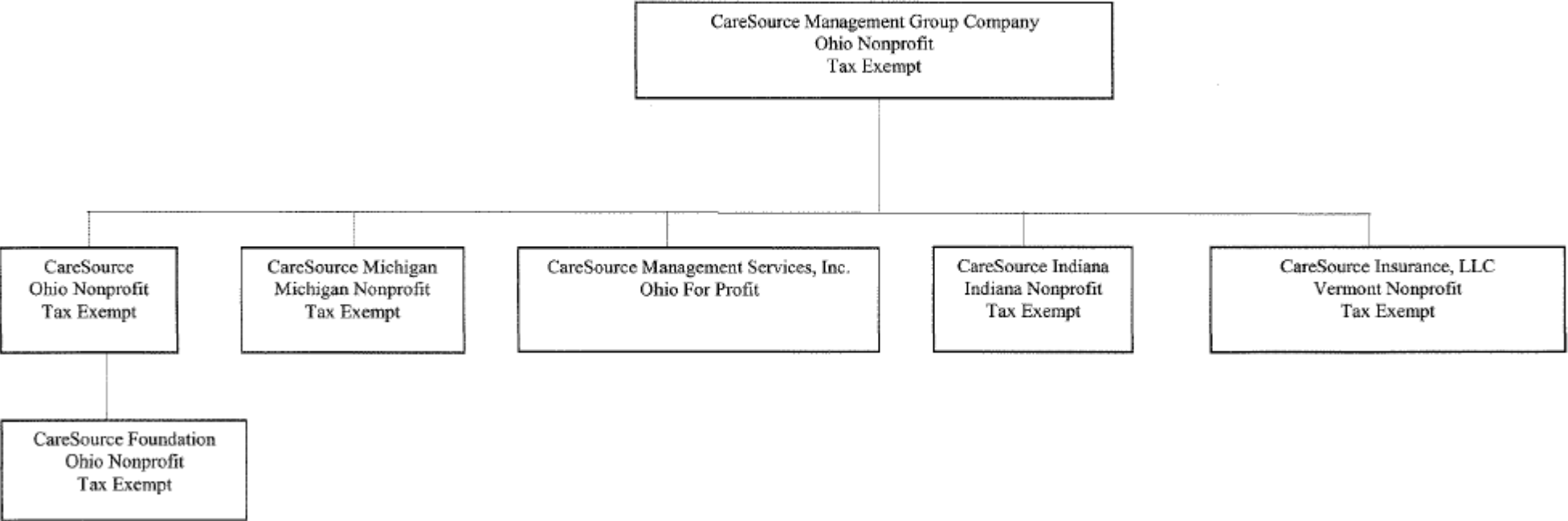
Explanation of basis of allocation by states, premiums by state, etc.:
(a) Insert the number of L responses except for Canada and other Alien.
All premiums written in the State of Michigan

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

CareSource Family of Companies

Corporate Structure



ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Exhibit of Nonadmitted Assets	16
Analysis of Operations By Lines of Business	7
Assets	2
Cash Flow	6
Exhibit 1 – Enrollment By Product Type for Health Business Only	17
Exhibit 2 – Accident and Health Premiums Due and Unpaid	18
Exhibit 3 – Health Care Receivables	19
Exhibit 4 – Claims Unpaid and Incentive Pool, Withhold and Bonus	20
Exhibit 5 – Amounts Due From Parent, Subsidiaries and Affiliates	21
Exhibit 6 – Amounts Due To Parent, Subsidiaries and Affiliates	22
Exhibit 7 – Part 1 – Summary of Transactions With Providers	23
Exhibit 7 – Part 2 – Summary of Transactions With Intermediaries	23
Exhibit 8 – Furniture, Equipment and Supplies Owned	24
Exhibit of Capital Gains (Losses)	15
Exhibit of Net Investment Income	15
Exhibit of Premiums, Enrollment and Utilization (State Page)	29
Five-Year Historical Data	28
General Interrogatories	26
Jurat Page	1
Liabilities, Capital and Surplus	3
Notes To Financial Statements	25
Overflow Page For Write-ins	41
Schedule A – Part 1	E01
Schedule A – Part 2	E02
Schedule A – Part 3	E03
Schedule A – Verification Between Years	SI02
Schedule B – Part 1	E04
Schedule B – Part 2	E05
Schedule B – Part 2	E06
Schedule B – Verification Between Years	SI02
Schedule BA – Part 1	E07
Schedule BA – Part 2	E08
Schedule BA – Part 3	E09
Schedule BA – Verification Between Years	SI03
Schedule D – Part 1	E10
Schedule D – Part 1A – Section 1	SI05

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule D – Part 1A – Section 2	SI08
Schedule D – Part 2 – Section 1	E11
Schedule D – Part 2 – Section 2	E12
Schedule D – Part 3	E13
Schedule D – Part 4	E14
Schedule D – Part 5	E15
Schedule D – Part 6 – Section 1	E16
Schedule D – Part 6 – Section 2	E16
Schedule D – Summary By Country	SI04
Schedule D – Verification Between Years	SI03
Schedule DA – Part 1	E17
Schedule DA –Verification Between Years	SI11
Schedule DB – Part A – Section 1	E18
Schedule DB – Part A – Section 2	E18
Schedule DB – Part A – Section 3	E19
Schedule DB – Part A – Verification Between Years	SI12
Schedule DB – Part B – Section 1	E19
Schedule DB – Part B – Section 2	E20
Schedule DB – Part B – Section 3	E20
Schedule DB – Part B – Verification Between Years	SI12
Schedule DB – Part C – Section 1	E21
Schedule DB – Part C – Section 2	E21
Schedule DB – Part C – Section 3	E22
Schedule DB – Part C – Verification Between Years	SI13
Schedule DB – Part D – Section 1	E22
Schedule DB – Part D – Section 2	E23
Schedule DB – Part D – Section 3	E23
Schedule DB – Part D – Verification Between Years	SI13
Schedule DB – Part E – Section 1	E24
Schedule DB – Part E – Verification	SI13
Schedule DB – Part F – Section 1	SI14
Schedule DB – Part F – Section 2	SI15
Schedule E – Part 1 – Cash	E25
Schedule E – Part 2 – Cash Equivalents	E26
Schedule E – Part 3 – Special Deposits	E27
Schedule S – Part 1 – Section 2	30
Schedule E – Verification Between Years	SI16
Schedule S – Part 2	31
Schedule S – Part 3 – Section 2	32
Schedule S – Part 4	33
Schedule S – Part 5	34
Schedule S – Part 6	35
Schedule T – Part 2 – Interstate Compact	37

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK (Continued)

Schedule T – Premiums and Other Considerations	36
Schedule Y – Information Concerning Activities of Insurer Members of a Holding Company Group	38
Schedule Y - Part 2 – Summary of Insurer’s Transactions With Any Affiliates	39
Statement of Revenue and Expenses	4
Summary Investment Schedule	SI01
Supplemental Exhibits and Schedules Interrogatories	40
Underwriting and Investment Exhibit – Part 1	8
Underwriting and Investment Exhibit – Part 2	9
Underwriting and Investment Exhibit – Part 2A	10
Underwriting and Investment Exhibit – Part 2B	11
Underwriting and Investment Exhibit – Part 2C	12
Underwriting and Investment Exhibit – Part 2D	13
Underwriting and Investment Exhibit – Part 3	14

